

Public Utility District No. 1 of Klickitat County
Board of Commissioners Meeting
Tuesday, January 12, 2016
2:00pm

CALL TO ORDER: President Ray Mosbrucker called the meeting to order at 2:00pm.

PRESENT: Commissioners Ray A. Mosbrucker-President, Randy L. Knowles-Vice President, and Dan G. Gunkel-Secretary.

STAFF PRESENT: Jim Smith-General Manager, Ron Ihrig-Chief Operating Officer, Kevin Ricks-Generation Asset & Special Projects Manager, Anita Thompson-Accounting Manager, Gwyn Miller-H.R. Manager, Mike DeMott-Interim Power Manager, Ron Schultz-Chief Engineer, Jeff Thayer-Materials Manager, Amber Jackson-AP/Accounting Clerk, and Kathy Loveland-Executive Assistant.

GUESTS: Kim Gilliland & Holly Harwood with the Bonneville Power Administration (BPA), Roger Kline & Robert Guidinger with Northern Wasco PUD, and Jonathan Lewis representing the Goldendale Chamber of Commerce.

PLEDGE: The Pledge of Allegiance was recited by those present.

MINUTES: MOTION was made by Commissioner Dan Gunkel to approve the December 22, 2015 meeting minutes as presented, with the provision that the public comments are not verbatim. Motion carried.

CLAIMS & PAYROLL: Presented by Anita Thompson and introduced Amber Jackson, AP Clerk. Vouchers were audited and certified by the auditing officer as required by RCW.42.24.080, and all expense reimbursement claims presented were certified as required by RCW.42.24.090 and were recorded on a listing made available to the Board on January 12, 2016.

MOTION was made by Commissioner Randy Knowles to approve the following as revised:

- Accounts Payable Voucher numbers 105478 through 105619 in the total amount of \$771,754.74 and Wires, ACH and EFT numbers 8800405 through 8800415 in the total amount of \$316,051.29 for the period ending January 12, 2016; and
- Payroll Warrant numbers 43254 through 43256 and ACH Direct Deposit Payroll transactions 9914610 through 9914689 in the total amount of \$177,121.05 for the payroll period ending December 27, 2015.

Motion carried.

PUBLIC COMMENTS: None.

COMMISSIONER DAN GUNKEL - No report at this time.

COMMISSIONER RAY MOSBRUCKER reported that he had responded to a customer letter, from Mr. Finn, regarding broadband services. Further correspondence has been received from Mr. Finn and Mr. Smith will draft a response after some information gathering from specifically Pend O'Reille PUD and their broadband project.

Commissioner Mosbrucker further reported that he would be attending the Washington PUD Association meetings January 13-15, 2016 which includes a legislative reception the evening of the 14th. He is also scheduled to have brief meetings with our legislators during that day.

COMMISSIONER RANDY KNOWLES – No report at this time.

GENERAL MANAGER – The complete report can be found at:

http://www.klickitatpud.com/topicalMenu/commissioners/GM_Reports.aspx

Mr. Smith also reported that managers and supervisors are working through year-end performance reviews, and are establishing goals for 2016. He would like to schedule his General Manager performance review with the Commissioners the first meeting in February. He provided the review documents and Gwyn Miller will supply them with the results of previous performance reviews. Mr. Smith is continuing to work on the Board Governance Policy and obtained input from the Commissioners. Commissioner Gunkel commented that perhaps the policy should include a code of conduct as well, signed off on by the Board members. Discussion ensued. No action was required at this time.

OPERATIONS – Jeff Thayer presented the results of the annual warehouse materials inventory. He noted that the counts began the third week of October, and closed the third week in November. Processes for the inventory count have been put in place over the past few years that make the inventory process much more efficient. Jeff also acknowledged that others before him came up with these ideas and implemented them and he really appreciated the results. Jeff also noted that we currently have items on sale on the public auction site online if anyone is interested in bidding; the sale ends January 13, 2016. The report was accepted as presented.

Ron Ihrig addressed the Board regarding Cliffs Water Rights and noted that he would like to invite Tom McDonald to a Commission meeting in February to obtain direction on how to use the water rights in the future. In the meantime, Ron recommended that we move some water rights from Cliffs to Wishram for their new well to perfect the Cliffs water rights; the Commissioners agreed with Ron's recommendation.

ACCOUNTING – Anita Thompson presented the financial report for November, 2015, which included the Income Statements of Revenue and Expenses, and the Statement of Cash Flow. Year-end financials are being worked on at this time and will be presented to the Board in the near future.

Discussion ensued with the Commissioners regarding their questions on persistent deviation charges from the Bonneville Power Administration. Jim Smith noted that he was told that BPA initially intended that these penalties were to ensure the best scheduling possible was done, but now they are saying that scheduling forecasts to be exact. This is likely due to BPA having many parts and even they do not agree at times. We do know that it has been difficult to get BPA to grant deviation waivers. The report was accepted as presented.

HUMAN RESOURCES – Gwyn Miller presented the 4th quarter H.R. report, noting that we ended the year in a good position for health care costs, the best in 5 years. However additional costs from December may arrive in January's numbers. In regard to Workers' Compensation claims, the District is showing a high experience factor that in turn affects premiums. Both the utility and employees contribute a portion of these premiums. Gwyn also reported that we still have a few position vacancies that we are recruiting for. These are still domino effects of replacing staff who retired or moved on. Commissioner Knowles asked that the District look into electing a higher amount of liability insurance through Pacific Underwriters (PURMS) and Ms. Miller noted this has already been done and is in place. Gwyn noted that PURMS is also looking at cyber security policies for the group. The report was accepted as presented.

AGENDA ITEMS:

- A. **THE BONEVILLE POWER ADMINISTRATION (BPA)** – Kim Gilliland and Holly Harwood with BPA were present to discuss with the PUD Commissioners the settlement agreement that BPA has with Friends of the Gorge (Friends) from 2013. The agreement ends in 11 months. The settlement was created to settle issues with the Big Eddie to Knight Transmission project that BPA built through the Gorge area. The Friends were to propose projects to BPA, so BPA could fund those projects with the settlement monies. Klickitat PUD (KPUD) staff submitted two projects to the Friends for their consideration in their proposals to BPA. However there was a significant lack of communication between the Friends and BPA. In regard to KPUD's proposed project of the Lyle crossing, BPA was concerned with liability and hurdles that would have to be overcome for permitting. Currently, the only proposals for spending the funds that the Friends have submitted to BPA are for the purchase of three properties; 2 in Skamania County and 1 in Klickitat County (of which the latter has been withdrawn). BPA is in the process of doing an environmental review, and has not approved any of the Friends' proposals to date. However, if the two property purchases are approved, that would deplete the funds that have been allocated to the Friends. In regard to the projects proposed to the Friends by KPUD, BPA does not have the authority to require these projects to be considered by the Friends, as the Friends have control of what they want to use the funds for. In order for BPA to consider KPUD's proposals, they would have to be resubmitted by the Friends. Ron Schultz commented that he would like to pursue this a little further with the Friends. Mr. Smith's feeling was that the Friends never did intend to fund KPUD's projects and intentionally lead this process along so they could purchase the properties with less visibility and confrontation. No action was required at this time.
- B. **M McNARY HYDRO FISHWAY PROJECT** – Bob Guidinger from Northern Wasco PUD presented the Commissioners with an update on the crane failure at the McNary Fishway Hydro project during the preparation work of replacing the runner blade on the turbine. Northern Wasco PUD's new General Manager, Roger Kline, was also present. Bob noted that he is working closely with the insurance company, and discussions included insurance coverage for damage onsite and for business

interruption damages. Bob has been reviewing all of the change orders, signing timesheets daily, and documenting all of the processes to control costs as much as possible. The team has been actively involving the insurance company to ensure that we provide the correct documentation and to ensure they support the decisions being made so that we obtain full insurance coverage. Bob is hoping to have a quote next week for crane repairs. At this time, we are probably looking at re-commissioning the hydro project the end of July or first of August if all repairs go as planned. There is still more investigative work to complete to get a full picture of the damages as the rotor and other equipment has not yet been removed due to the crane failure. Mr. Kline commented that although the crane incident was unfortunate, the downtime does provide us with an opportunity to rehab the entire turbine unit. No action was required at this time.

C. GORGE LIGHTING CAMPAIGN – Jonathan Lewis representing the Goldendale Chamber of Commerce, presented a request to the Commissioners for their support of the Gorge Night Sky Campaign 2016. With the Goldendale Observatory being a key site for tourism and having received a grant in excess of \$1 million for improvements, he has been working with the Chamber of Commerce and the Friends of the Observatory to help promote what they do. They will be submitting a grant proposal to Google to help educate community members and vendors in order for them to understand LED upgrades and the proper fixtures to have available to the public that meet dark skies ordinances. The Grant deadline is January 31, 2016. Currently the LED fixtures that meet our energy conservation requirements being sold, do not meet the dark skies requirements. This campaign is designed to make the right fixtures available and also educate contractors and the public on what is required by dark skies and where to get the right fixtures. The Gorge Discovery Center has offered their facilities for the educational program and there is a tie to the Science, Technology, Engineering and Math (STEM) programs in our high schools. Jonathan is asking for the District to support the effort, and if so would be listed in the Google grant application. Jonathan is asking for supporters of the overall project, and not looking for funding. Commissioner Gunkel commented that the project appears to be an opportunity to make a small addition to our current Board policy of enabling the County to move forward with Dark Sky-compliant lights and it fits well with our energy conservation programs. This is an opportunity to bring everyone together and start meeting the requirements. This would be a nice addition to what the Board has already authorized and what staff is already working on.

MOTION was made by Commissioner Randy Knowles to support the efforts of the Chamber of Commerce in applying for a Google Grant to educate the community on the Gorge NightSky Campaign 2016. Commissioner Mosbrucker commented that as long as the program helps define the requirements for these fixtures and helps make them available, he is in support. Motion carried.

D. EXECUTIVE SESSION: Potential Litigation – President Mosbrucker called for an Executive Session at 4:45pm per RCW42.30.110 for the purpose of discussing potential litigation in regard to the Mile Marker 28 fire, noting that the session would last for 60 minutes.

RCW 42.30.110 – Executive Sessions.

(1) Nothing contained in this chapter may be construed to prevent a governing body from holding an executive session during a regular or special meeting:

(i) To discuss with legal counsel representing the agency matters relating to agency enforcement actions, or to discuss with legal counsel representing the agency litigation or potential litigation.

The Executive Session concluded at 5:45pm. No action was taken.

ADJOURNMENT – There being no further business, the meeting adjourned at 5:46pm.

_____/s/
Ray A. Mosbrucker, President

_____/s/
Randy L. Knowles, Vice President

_____/s/
Dan G. Gunkel, Secretary
Date Approved: 1/26/2016

_____/s/
Kathy Loveland, Executive Assistant